

RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK BOARD LEAVES MONETARY POLICY UNCHANGED

The Reserve Bank Board, at its monthly meeting on 28 June 2007, decided not to make any changes to monetary policy.

In arriving at its decision, the Reserve Bank Governor and Chairman of the Board, Mr. Savenaca Narube said that “We have noted from recent data that the Bank’s current policy mix has been effective in lowering credit growth and slowing imports. Consequently, this has allowed foreign reserves to stabilise in the past few months. Nonetheless, the persisting trade deficit continues to place pressure on our balance of payments.”

The Bank also welcomed the reduction in lending rates announced by some of the commercial banks as the cost of funds had come down significantly in recent months. This easing in interest rates will assist in economic recovery.

In addition, the Governor mentioned that “inflation picked up sharply in April and May to around 6 percent due largely to a combination of factors. These included supply shortages of domestic market items, Australian drought-related supply disruptions of dairy and wheat products, the impact of the higher fiscal and excise duties announced in March and second round effects of the oil price hikes in recent years. Given these developments, the year-end inflation forecast will likely be revised upwards from the current projection of 3.5 percent. A revised projection should be available in July.” While the sharp increase in inflation in recent months is of some concern but to a large extent this is unavoidable as most of the price increases are beyond our control.

The Bank will continue to closely monitor economic developments over the coming months and fine tune policies as required.

Reserve Bank of Fiji